



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

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Director

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L. Kunzler
5/039/011

November 18, 1997

Mr. and Mrs. Gerald D. Willden
264 South 400 East
Mayfield, Utah 84643

Re: Mineral Leasing of Your Property in Sanpete County, Utah

Dear Mr. and Mrs. Willden:

The School and Institutional Trust Lands Administration (the "Trust Lands Administration") has been asked to contact you regarding property that you own in Sanpete County, more particularly described as the South Half of the Southwest Quarter of Section 17, Township 20 South, Range 2 East, Salt Lake Base & Meridian. The Trust Lands Administration owns the mineral estate underlying this land.

By way of background, millions of acres of land were granted to the State of Utah by the federal government upon statehood to be managed for the benefit of the public schools. The Trust Lands Administration is the state agency responsible for administering these lands. The State has authority to sell the surface estate of such lands, but by law it is not permitted to transfer the mineral estate. Section 17, which includes your property, is a parcel where the State has sold the surface but retained the mineral estate.

On December 6, 1945, the surface estate of the South Half of the Southwest Quarter of Section 17 was transferred from the State to Clyde Whitlock. The document used to memorialize the transaction is called a certificate of sale. Certificate of Sale #23062 specifically reserves to the State all coal and other minerals in the land and the right to mine and remove minerals. Later, on February 14, 1946, Patent # 16902 was issued granting title to the surface estate to Clyde Whitlock. The Patent also reserved mineral rights to the State. I have attached copies of both documents for your reference. From the limited information that I have, it appears you and your wife subsequently purchased the land from Kenneth and Orpha Whitlock on December 29, 1976. When you purchased the land, the reservation of the mineral estate should have been made known to you by your title company or the sellers.

The reason for bringing this matter to your attention now is that the Trust Lands Administration has approved a limestone lease on the Southwest Quarter of the Southwest Quarter of the property. By law, the lessee has the right to prospect or mine, remove deposits and occupy and use as much of the surface of the lands as may be required for any purpose reasonably incident to the mining and removal of the deposits. The lessee, Ms. Phyllis Bown, intends to conduct exploration or mining activities, but informs me that you have prohibited her

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from entering the property. I assume that your objection is based on concerns of damage to your property.

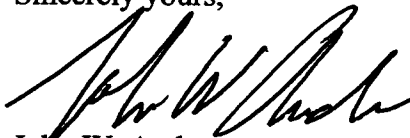
You may not be aware that, even though the mineral lessee has the right to remove minerals from the land, the lessee is responsible to you for all damage to the surface of the land and improvements, except for reasonable use. In addition, the Utah Division of Oil, Gas & Mining will require the lessee to meet state reclamation requirements for its operations.

There are several options regarding how to handle the issue of damages. Typically, the surface landowner will negotiate an agreement with the mineral lessee as to the amount of damage and means of payment. If no agreement can be reached, the mineral lessee can post a bond with the director of the Trust Lands Administration to secure the payment of surface damages, and the Trust Lands Administration can unilaterally authorize access. (If the amount of the damage bond cannot be agreed upon by the parties, it is determined by the Trust Lands Administration).

In our experience, in most cases the surface estate owner and the mineral lessee are able to work together to resolve damage issues and matters of convenience (e.g. access through gates, measures to protect livestock, etc.). The Trust Lands Administration strongly encourages you to communicate with Ms. Bown and ask her to address your concerns. We are sure that if both parties can approach the issue reasonably and in the spirit of accommodation, some agreement can be reached as to access and damage payments.

If we can be of further assistance, or if you have any questions, please feel free to call John T. Blake or myself at (801) 538-5100.

Sincerely yours,



John W. Andrews
Attorney

Enclosures

cc: David T. Terry
John T. Blake
Lynn Kunzler, DOGM
Phyllis Bown